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Kenya

Grain and Feed

Kenya Corn Update Report

2005

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Report Highlights:

Kenya corn production for 2004/05 is estimated at 2.06 million mt (about 17 % below yearly average production) comprised of 1.71 million mt long rain harvest and 350,000 mt of short rain harvest. The decline is attributed to lack of sufficient rain in the main corn producing areas. 2005/06 production will be dependent on the performance of the long rains commencing in February/March 2005.

Issues of moisture content and GMO restrictions by Kenya continue to inhibit corn trade between the U.S. and Kenya.

The East African Customs Union protocol commenced in January 2005.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Nairobi [KE1]
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Corn Production

The bulk of Kenya's 2004 long rains corn crop has been harvested and is estimated at 1.71 million mt. The short rain crop to be harvested in March is estimated at 350,000 mt about 20 percent lower than normal short rain production. The short fall is attributed to lack of sufficient rain in the main short rain production areas. The corn supply situation in 2005/06 is reliant on the 2005 long rains commencing in February/march 2005. Due to the tight supply situation corn prices have remained relatively high offering incentive for the farmers to grow more corn during the 2005/06-crop year.

PSD TABLE

| PSD Table | | | | | | |
|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Country | Kenya | | | | | |
| Commodity | Corn | | | | (1000 HA)(100 0 MT) | |
| | 2004 | Revised | 2005 | Estimate | 2006 | Forecast |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] |
| Market Year Begin | | 07/2004 | | 07/2005 | | 07/2006 |
| Area Harvested | 1500 | 1600 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 98 | 150 | 48 | 60 | 0 | 100 |
| Production | 2300 | 2060 | 0 | 2400 | 0 | 2500 |
| TOTAL Mkt. Yr. Imports | 200 | 400 | 0 | 300 | 0 | 350 |
| Oct-Sep Imports | 200 | 400 | 0 | 300 | 0 | 350 |
| Oct-Sep Import U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL SUPPLY | 2598 | 2610 | 48 | 2760 | 0 | 2950 |
| TOTAL Mkt. Yr. Exports | 0 | 50 | 0 | 160 | 0 | 300 |
| Oct-Sep Exports | 0 | 50 | 0 | 50 | 0 | 50 |
| Feed Dom. Consumption | 50 | 50 | 0 | 50 | 0 | 50 |
| TOTAL Dom. Consumption | 2550 | 2500 | 0 | 2500 | 0 | 2500 |
| Ending Stocks | 48 | 60 | 0 | 100 | 0 | 150 |
| TOTAL DISTRIBUTION | 2598 | 2610 | 0 | 2760 | 0 | 2950 |

Corn Import to Kenya

The GOK allowed duty free importation (360,000 mt) of corn to compensate for the shortfall in production experienced during 2004. Half of the allowed duty free importation was to be sourced by the Kenyan National Cereals and Produce Board (NCPB) and other half by the private sector. Five companies out of 36 companies that applied were allocated the NCPB tender. To date, only 70,000 mt has been received by the private sector and 70,000 mt by the GOK. The GOK corn is for distribution to the food insecure. High prices during the second half of 2004 discouraged commercial imports.

Cross Boarder Trade

Commencing January 2005 the East African Community (Kenya, Uganda and Tanzania) signed a Customs Union protocol. The protocol zero-rated duty on most goods traded

between member nations. The move is expected to remove all non-tariff barriers to trade. The shortfall in Kenya has been met through imports from Tanzania and Uganda. The Ministry of Agriculture estimates about 70,000 mt cross border imports, mainly from Tanzania.

The East African Community Customs Union

The EAC established a Common External Tariff (CET) that resulted in a harmonization of import tariffs for all three countries and a significant tariff reduction for most goods. The CET has a three band tier comprised of Raw materials 0 %, Processed and Manufactured Inputs 10 % and Finished Products 25 %. However in order to protect the Agricultural sector some exceptions were made. For instance duty on corn was increased from 25 % to 50 % and corn flour went up from 35 % to 50 %. However the EAC may zero rate duties for given durations to allow imports to offset shortfalls. Analysts argue that this will be a major trade barrier and will deny Kenyans access to cheap corn.

Issues of moisture content and GMO requirements by Kenya continue to inhibit corn trade between the U.S. and Kenya.